

1 AN ACT relating to the Teachers' Retirement System board of trustees.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 161.250 is amended to read as follows:

4 (1) (a) The general administration and management of the retirement system, and the
5 responsibility for its proper operation and for making effective provisions of
6 KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be
7 known as the "Board of Trustees of the Teachers' Retirement System of the
8 State of Kentucky."

9 (b) The board of trustees shall consist of the following:

- 10 1. The chief state school officer;
- 11 2. The State Treasurer;
- 12 3. Two (2) trustees, appointed by the Governor of the Commonwealth,
13 subject to Senate confirmation in accordance with KRS 11.160 for each
14 appointment or reappointment. These two (2) trustees shall have
15 investment experience. For purposes of this subparagraph, a trustee with
16 "investment experience" means an individual who does not have a
17 conflict of interest, as provided by KRS 161.460, and who has at least
18 ten (10) years of experience in one (1) of the following areas of
19 expertise:
- 20 a. A portfolio manager acting in a fiduciary capacity;
- 21 b. A professional securities analyst or investment consultant;
- 22 c. A current or retired employee or principal of a trust institution,
23 investment or finance organization, or endowment fund acting in
24 an investment-related capacity;
- 25 d. A chartered financial analyst in good standing as determined by the
26 CFA Institute; or
- 27 e. A university professor, teaching investment-related studies; and

- 1 4. Seven (7) other trustees elected as provided in KRS 161.260. ~~Four (4)~~
2 of the elective trustees shall be members of the retirement system, to be
3 known as teacher trustees, two (2) shall be persons who are not members
4 of the teaching profession, to be known as the lay trustees, and one (1)
5 shall be an annuitant of the retirement system to be known as the retired
6 teacher trustee. One (1) teacher trustee shall be elected annually for a
7 four year term. The retired teacher trustee shall be elected every four (4)
8 years. ~~]~~The chief state school officer and the State Treasurer are
9 considered ex officio members of the board of trustees and may
10 designate in writing a person to represent them at board meetings.
- 11 (c) 1. Elective trustees shall not serve more than three (3) consecutive four (4)
12 year terms. An elective trustee who has served three (3) consecutive
13 terms may be elected again after an absence of four (4) years from the
14 board of trustees.
- 15 2. The term limits established by subparagraph 1. of this paragraph shall
16 apply to elective trustees serving on or after July 1, 2012, and all terms
17 of office served prior to July 1, 2012, shall be used to determine if the
18 elective trustee has exceeded the term limits provided by subparagraph
19 1. of this paragraph.
- 20 (d) 1. Each appointed trustee shall serve a term of four (4) years. An appointed
21 trustee shall not serve more than three (3) consecutive four (4) year
22 terms. An appointed trustee who has served three (3) consecutive terms
23 may be appointed again after an absence of four (4) years from the board
24 of trustees.
- 25 2. Any vacancy that occurs in an appointed position shall be filled in the
26 same manner that provides for the selection of the trustee; however, any
27 vacancy shall be filled only for the duration of the unexpired term.

1 (2) A member, retired member, or designated beneficiary may appeal the retirement
2 system's decisions that materially affect the amount of service retirement allowance,
3 amount of service credit, eligibility for service retirement, or eligibility for
4 survivorship benefits to which that member, retired member, or designated
5 beneficiary claims to be entitled. All appeals must be in writing and filed with the
6 retirement system within thirty (30) days of the claimant's first notice of the
7 retirement system's decision. For purposes of this section, notice shall be complete
8 and effective upon the date of mailing of the retirement system's decision to the
9 claimant at the claimant's last known address. Failure by the claimant to file a
10 written appeal with the retirement system within the thirty (30) day period shall
11 result in the decision of the retirement system becoming permanent with the effect
12 of a final and unappealable order. Appeals may include a request for an
13 administrative hearing which shall be conducted in accordance with the provisions
14 of KRS Chapter 13B. The board of trustees may establish an appeals committee
15 whose members shall be appointed by the chairperson and who shall have the
16 authority to act upon the report and recommendation of the hearing officer by
17 issuing a final order on behalf of the full board of trustees. A member, retired
18 member, or designated beneficiary who has filed a timely, written appeal of a
19 decision of the retirement system may, following the administrative hearing and
20 issuance of the final order by the board of trustees, appeal the final order of the
21 board of trustees to the Franklin Circuit Court in accordance with the provisions of
22 KRS Chapter 13B.

23 (3) The board of trustees shall establish a formal trustee education program for all
24 trustees of the board. The program shall include but not be limited to the following:

25 (a) A required orientation program for all new trustees to the board. The
26 orientation program shall include training on:

27 1. Benefits and benefits administration;

- 1 2. Investment concepts, policies, and current composition and
- 2 administration of retirement system investments;
- 3 3. Laws, bylaws, and administrative regulations pertaining to the
- 4 retirement system and to fiduciaries; and
- 5 4. Actuarial and financial concepts pertaining to the retirement system.

6 If a trustee fails to complete the orientation program within one (1) year from
7 the beginning of his or her first term on the board, the retirement system shall
8 withhold payment of the per diem and travel expenses due to the board
9 member under KRS 161.290 until the trustee has completed the orientation
10 program;

11 (b) Annual required training for trustees on the administration, benefits,
12 financing, and investing of the retirement system. If a trustee fails to complete
13 the annual required training during the calendar or fiscal year, the retirement
14 system shall withhold payment of the per diem and travel expenses due to the
15 board member under KRS 161.290 until the board member has met the annual
16 training requirements; and

17 (c) The retirement system shall incorporate by reference in an administrative
18 regulation, pursuant to KRS 13A.2251, the trustee education program.

19 (4) In order to improve public transparency regarding the administration of the system,
20 the board of trustees shall adopt a best practices model by posting the following
21 information to the retirement system's Web site and shall make available to the
22 public:

23 (a) Meeting notices and agendas for all meetings of the board. Notices and
24 agendas shall be posted to the retirement system's Web site at least seventy-
25 two (72) hours in advance of the board or committee meetings, except in the
26 case of special or emergency meetings as provided by KRS 61.823;

27 (b) The Comprehensive Annual Financial Report with the information as follows:

- 1 1. A general overview and update on the retirement system by the
2 executive secretary;
- 3 2. A listing of the board of trustees;
- 4 3. A listing of key staff;
- 5 4. An organizational chart;
- 6 5. Financial information, including a statement of plan net assets, a
7 statement of changes in plan net assets, an actuarial value of assets, a
8 schedule of investments, a statement of funded status and funding
9 progress, and other supporting data;
- 10 6. Investment information, including a general overview, a list of the
11 retirement system's professional consultants, a total net return on
12 retirement system investments over a historical period, an investment
13 summary, contracted investment management expenses, transaction
14 commissions, and a schedule of investments;
- 15 7. The annual actuarial valuation report on the pension benefit and the
16 medical insurance benefit; and
- 17 8. A general statistical section, including information on contributions,
18 benefit payouts, and retirement system demographic data;
- 19 (c) All external audits;
- 20 (d) All board minutes or other materials that require adoption or ratification by
21 the board of trustees. The items listed in this paragraph shall be posted within
22 seventy-two (72) hours of adoption or ratification of the board;
- 23 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 24 (f) The retirement system's summary plan description;
- 25 (g) The retirement system's law book;
- 26 (h) A listing of the members of the board of trustees and membership on each
27 committee established by the board, including any investment committees;

1 (i) All investment holdings in aggregate, fees, and commissions for each fund
2 administered by the board, which shall be updated on a quarterly basis for
3 fiscal years beginning on or after July 1, 2017. The system shall request from
4 all managers, partnerships, and any other available sources all information
5 regarding fees and commissions and shall, based on the requested information
6 received:

- 7 1. Disclose the dollar value of fees or commissions paid to each individual
8 manager or partnership;
- 9 2. Disclose the dollar value of any profit sharing, carried interest, or any
10 other partnership incentive arrangements, partnership agreements, or any
11 other partnership expenses received by or paid to each manager or
12 partnership; and
- 13 3. As applicable, report each fee or commission by manager or partnership
14 consistent with standards established by the Institutional Limited
15 Partners Association (ILPA).

16 In addition to the requirements of this paragraph, the system shall also
17 disclose the name and address of all individual underlying managers or
18 partners in any fund of funds in which system assets are invested;

19 (j) An update of net of fees investment returns, asset allocations, and the
20 performance of the funds against benchmarks adopted by the board for each
21 fund, for each asset class administered by the board, and for each manager.
22 The update shall be posted on a quarterly basis for fiscal years beginning on or
23 after July 1, 2017;

24 (k) All contracts or offering documents for services, goods, or property purchased
25 or utilized by the system; and

26 (l) A searchable database of the system's expenditures and a listing of each
27 individual employed by the system along with the employee's salary or wages.

1 In lieu of posting the information required by this paragraph to the system's
2 Web site, the system may provide the information through a Web site
3 established by the executive branch to inform the public about executive
4 branch agency expenditures and public employee salaries and wages.

5 (5) Notwithstanding the requirements of subsection (4) of this section, the retirement
6 system shall not be required to furnish information that is protected under KRS
7 161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the
8 retirement system's ability to competitively invest in real estate or other asset
9 classes, except that no provision of this section or KRS 61.878 shall exclude
10 disclosure and review of all contracts, including investment contracts, by the board,
11 the Auditor of Public Accounts, and the Government Contract Review Committee
12 established pursuant to KRS 45A.705 or the disclosure of investment fees and
13 commissions as provided by this section. If any public record contains material
14 which is not excepted under this section, the system shall separate the excepted
15 material by removal, segregation, or redaction, and make the nonexcepted material
16 available for examination.

17 (6) For any benefit improvements the General Assembly has authorized the board of
18 trustees to establish under KRS 161.220 to 161.716 and that require formal
19 adoption by the board, the board shall establish the benefits by promulgation of
20 administrative regulations in accordance with KRS Chapter 13A.

21 ➔Section 2. KRS 161.260 is amended to read as follows:

22 An election shall be held on or before June 1 of each year to elect trustees. ~~The trustees~~
23 ~~to be elected each year shall depend upon the respective terms of the trustees elected~~
24 ~~under Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 7 and Acts 1940, Ch. 192, paragraph~~
25 ~~7a, and KRS 161.250.~~ Each trustee shall assume office on July 1 following his election
26 and shall serve for a term of four (4) years. The elections shall be conducted by ballot
27 under the supervision of the chief state school officer. Each person who is a contributing

1 member as a result of full-time employment in a position covered by the retirement
 2 system or who is an annuitant of the retirement system shall have the right to vote. Each
 3 person who is a contributing member as a result of part-time or substitute employment in
 4 a position covered by the retirement system shall be permitted to vote as provided in KRS
 5 161.612. Nominations for trustees shall be made by **the following groups who shall**
 6 **submit the name of one (1) individual to be placed on the ballot for each election**
 7 **occurring after July 1, 2019:**~~[a nominating committee consisting of one (1) committee~~
 8 ~~member selected by the retirement system membership of each of the districts of the~~
 9 ~~Kentucky Education Association, and one (1) committee member to be selected by retired~~
 10 ~~teachers, on a statewide basis, from among the annuitants of the retirement system. No~~
 11 ~~person may be a member of the nominating committee who is not a member of the~~
 12 ~~system, except for the committee member to be selected from among the annuitants of the~~
 13 ~~system. The president of the Kentucky Education Association shall preside over the~~
 14 ~~meeting of the nominating committee and the secretary of the Teachers' Retirement~~
 15 ~~System shall act as secretary to the committee. Two (2) persons shall be nominated by the~~
 16 ~~nominating committee for each position to be filled. All expenses of the election shall be~~
 17 ~~paid by the board of trustees out of its general expense fund.]~~

- 18 **(1) One (1) nomination submitted by the Kentucky Education Association;**
 19 **(2) One (1) nomination submitted by the Kentucky Retired Teachers' Association;**
 20 **(3) One (1) nomination submitted by the Kentucky School Boards Association;**
 21 **(4) One (1) nomination submitted by the Kentucky Association of School**
 22 **Superintendents;**
 23 **(5) One (1) nomination submitted by the Kentucky Association of Professional**
 24 **Educators;**
 25 **(6) One (1) nomination submitted by the Kentucky Society of Certified Public**
 26 **Accountants. The nominee provided by this subsection shall be a certified public**
 27 **accountant; and**

- 1 (7) One (1) nomination submitted by the Kentucky Bankers Association. The
2 nominee provided by this subsection shall have financial or banking experience.